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The international wine trade: Recent trends and critical issues

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Abstract

This paper aims to contribute to the understanding of international wine trade complexities, focusing on the period 2000–2011. Since 2000 the wine trade has grown significantly and its structure has experienced major changes. Such changes are shaping the current competitive scenario of the wine market and are the base elements for its future development. The paper analyses the growth of world wine imports, considering all wines together and the single categories recognized by global statistics (bottled, bulk and sparkling wine). It then describes the changes in the geography of importers with the emergence of new markets and the competitive performance of the main suppliers. The bulk wine trade, the re-export of wine and the exposure of trade flows to trade barriers are also analyzed in detail. Finally, on the basis of the dominant trend in wine consumption and changes in the supply chain, the critical issues arising from analysis are examined, with the need for further research being underlined.

Keywords: Wine; International trade; Competitive performance

1. Introduction

Wine has traditionally been a traded good but only in the past two decades, the international wine trade has experienced considerable growth: in the 1960s the exported share of global wine production was 10% and in 1990 this share had reached only 15%. However, by the year 2000 the exported production had reached 25% of global production and more than 30% in 2010.

The growth of the international wine trade is just one of the aspects of the complex evolution of the world wine sector: there have been profound changes in the geography of production and consumption and in the direction of export flows (Anderson and Nelgen, 2011a; Banks and Overton, 2010; Mariani et al., 2011). Indeed, the growth of the wine trade was caused during the 1990s by the wine consumption increase in Northern Europe and North America, compensating for the decrease in consumption in Mediterranean countries, and by the growth of exports from so-called New World Wine Producers. Recently, the international trade in wine has been boosted by increasing demand mainly in Asian countries which until recently were only marginally involved in wine imports, and production is increasing in some importing countries (China, India, Brazil) and in those with considerable potential (Ukraine). Undoubtedly, the growth of the international wine trade makes the wine industry "an intriguing case of globalisation at work" (Anderson, 2004; p. 3).

A major consequence of the increasing importance of the international wine trade is the strong export orientation of the world's large producing countries and the dependence of the profitability of the wine industry on expansion of international trade. The study of the international wine trade is therefore a very important issue but also not easy to tackle. As observed

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by Hugh Johnson, introducing Pierre Spahni's book on international wine trade: "Can there be a more complex trade than commerce in wine? What other commodity is offered in such infinite variety, at prices from inconsiderable to fabulous. Its markets are as almost various as itself, ranging from regions where it is as everyday as bread to milieus where it is elevated (if that is the word) to a fashion item. Governments vary so widely in their attitude to it that in one country it is covered in health warnings, in others used as a tax cow, while in another the only official injunction is not to throw the empty bottle into the nearest ditch" (Spahni, 1998; p. vii).

This paper aims to offer a contribution to the understanding of the complexities of the international wine trade, focusing on the period 2000–2011. Since 2000, after the two-year contraction in the late 1990s, the wine trade has grown significantly and its structure has experienced major changes. Such changes are shaping the current competitive scenario of the wine market and are the base elements for its future development.

This study analyses the growth of world wine imports, considering all wines together and the single categories recognised by global statistics (Section 2). Then it describes the changes in the geography of importers with the emergence of new markets (Section 3) and the competitive performance of the main suppliers (Section 4). The next three sections explore some characteristic features on the new international wine market: the bulk wine trade (Section 5), the phenomenon of re-export (Section 6) and, finally, exposure of trade flows to trade barriers (Section 7). In the final remarks (Section 8) we discuss the critical issues arising from the analysed trends.

The data source is Global Trade Information Services (GTI). This data base provides import and export flows of 83 countries (reporting countries): neither all the countries are involved in the wine trade, nor does the data base contain all countries contributing to the trade. Because of the missing countries, the import flows considered do not represent the whole market but the overwhelming majority. Wine trade flows are disaggregated into the three wine categories of the Harmonised System at a six-digit level of disaggregation: (i) code 220421, non-sparkling wine in containers holding 2 litres or less (hereafter: bottled wine); (ii) code 220429, non-sparkling wine in containers holding more than 2 litres (hereafter: bulk wine); (iii) code 220410, sparkling wine.

Given both the importance and complexity of such issues, an exhaustive analysis lies beyond the scope of our paper. The objective is simply to show, with statistics to hand, the overlying importance of some traits of the evolution of the international wine trade as elements of change and hence stress their importance as critical issues for the business community and policy makers and as a specific research field for academics.

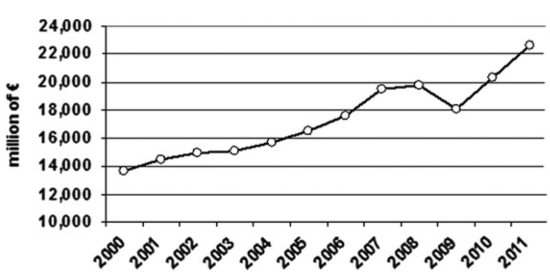
2. International wine trade since 2000: An overview

In the period 2000–2011, world wine imports grew significantly from 2004 to 2007, and recovered in 2010 after a decline in 2008–2009 due to the international economic crisis. In 2011 world imports reached a new high: €22.6 billion for 3.4 million hectolitres (Fig. 1). While world production decreased, world consumption showed a moderate increase. Hence the rise of international trade is the consequence of a considerable increase in consumption in non-producing countries.

Comparing the 2000–2001 average with 2010–2011, world imports have increased by 53% in value and 58% in volume (Table 1). The three categories considered have all grown, albeit at different rates. Bulk wine shows the highest increase, followed by sparkling wine, then bottled wine. Due to this trend, the share of bulk wine in world trade has increased, reaching almost 11% in value and nearly 40% in volume (a remarkable 5-point increase), while bottled wine has experienced a significant share reduction. Considering growth over the years, bottled and sparkling wine have risen steadily, experiencing only a decline in 2007–2009 (more pronounced for the latter), while for bulk wine the rapid surge in growth since 2005 is to be noted.

As a result of the dynamics of values and volumes, the average unit value (a proxy for price) of total wine imports recorded a reduction (−3.3% to € 2.38), with greater differences by category: a slight increase in the unit value of bottled wine (+3%, to € 3.18), a drop for bulk wine (−2.5%, to € 0.63) and a sharp decrease for sparkling (−7.0%, to € 6.65).

During the period considered, the composition of flows changed considerably, revealing a shift in demand which merits attention. The increase in the importance of sparkling wine stems from increases in consumption occasions and the success of some affordable products (Prosecco in



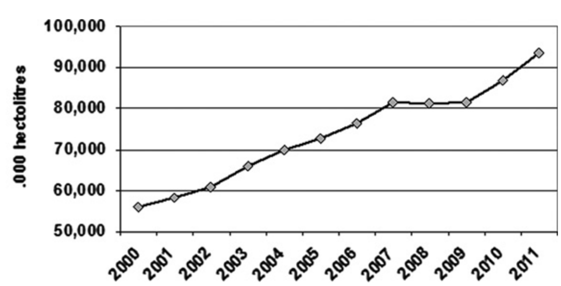


Fig. 1. All wine world imports, in value and volume, 2000–2011.
Source: Our calculations, based on GTI data.

Table 1
Wine imports by category 2010–11 average versus 2000–01 average: value, volume and shares; absolute change in shares (Δ) and absolute (abs) and relative (%) growth in period.
Source: Our calculations, based on GTI data.

Wine category	2000–01		2010–11		2010–11 vs. 2000–01		
	Imports	Share	Imports	Share	Share	Growth	
					Δ	abs	%
Value[a]							
Bottled	10,700	76	15,741	73	−2.7	5,041	47.1
Bulk	1,262	9	2,238	11	1.5	976	77.3
Sparkling	2,124	15	3,503	16	1.2	1,379	64.9
All wines	14,086	100	21,481	100		7,395	52.5
Volume[b]							
Bottled	34,705	61	49,481	55	−5.8	14,776	42.6
Bulk	19,483	34	35,378	39	5.2	15,895	81.6
Sparkling	2,971	5	5,267	6	0.6	2,296	77.3
All wines	57,159	100	90,127	100		32,968	57.7

[a]Value = millions of euros;
[b]Volume = 000's of hectolitres.

Table 2
Small wine-importing countries.

Traditional
Austria, Belgium and Luxembourg, Canada, Denmark, Finland, Japan, Ireland, Norway, Netherlands, Sweden, Switzerland
Non-traditional
Algeria, Azerbaijan, Bolivia, Brazil, Bulgaria, China, Colombia, Costa Rica, Côte d'Ivoire, Croatia, Cyprus, Czech Republic, Ecuador, Egypt, El Salvador, Estonia, Georgia, Ghana, Guatemala, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Iran, Jordan, Kazakhstan, Kenya, Latvia, Lithuania, Malaysia, Malta, Mauritius, Mexico, Morocco, Nicaragua, Panama, Paraguay, Peru, Philippines, Poland, Romania, Russia, Senegal, Serbia, Singapore, Slovakia, Slovenia, South Korea, Sri Lanka, Taiwan, Thailand, Turkey, Ukraine, United Arab Emirates, Uruguay, Venezuela, Yemen.

Italy; Cava in Spain) which are presented with a "cool" image and not as cheap substitutes for Champagne.

Instead, the increasing importance of bulk wine is a more complex phenomenon driven partly by changes in consumer demand and partly by the establishing of new organisation schemes in the wine supply chain, seeking cost reductions and a higher level of environmental sustainability. Hence the growth in bulk wine trade is analysed in greater detail in Section 5.

3. Geography of import markets

To explore the changes which have occurred in the geography of international trade, aggregate wine import flows were broken down into five groups of countries according to their role in the international market:

- Large importers: three countries which have long been major destinations for wine exports (Germany, UK and United States of America);
- Small traditional importers: 12 countries representing the other consolidated destinations for wine exports;
- Small non-traditional importing countries: 56 countries which have recently expanded their wine imports.
- Mediterranean exporting countries: five wine-producing and exporting countries (France, Greece, Italy, Portugal and Spain);
- Other exporters: five countries with a strong export orientation (Australia, New Zealand, Argentina, Chile and South Africa).

The small importers, whether traditional or non-traditional, are listed in Table 2.

Small importers are very heterogeneous in terms of market size, economic situation and geographical position. Fig. 2 shows the individual weight on world trade of all small traditional markets and of the most important among non-traditional importers. Fig. 3, which shows the trend in imports by value and volume for the different groups of countries, highlights the growth of imports of small non-traditional countries and particularly their steep growth rate since 2009. The economic crisis has impacted upon traditional importers (large and small) especially in value, while upon non-traditional primarily in volume. However, in 2011 the effects of the crisis appear overcome, for all country groups: imports, by value and volume, are greater than the 2008–2009 level.

Table 3 compares the changes in import flows between the 2000–01 and 2010–11 two-year averages for all wines

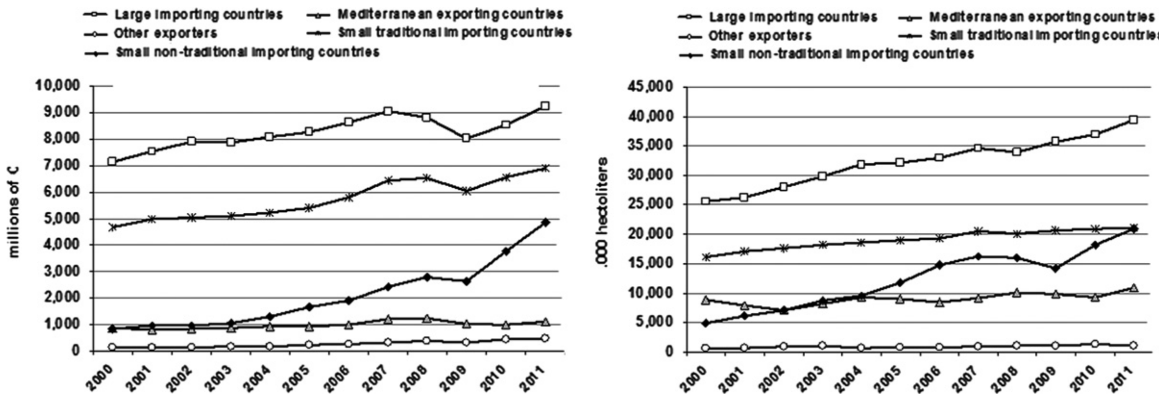


Fig. 2. All wine imports by group of countries, in value and volume, 2000–2011.
Source: Our calculations, based on GTI data.

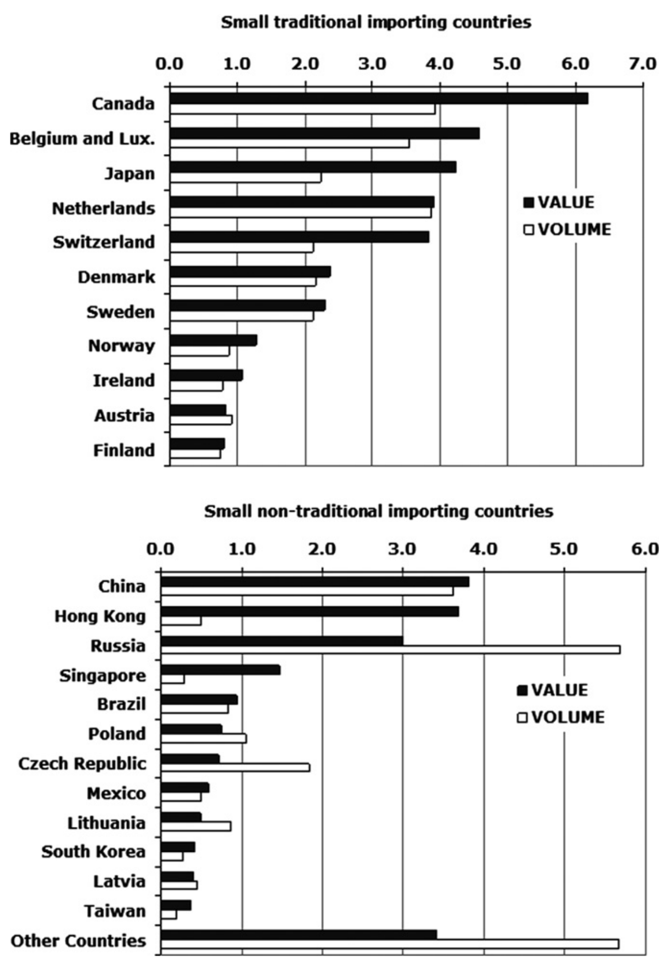


Fig. 3. All wines, weight (in value and volume%) of small traditional and non-traditional importing countries on world imports, 2010–11 average.
Source: Our calculations, based on GTI data.

and categories. Data analysis shows the increase in the small non-traditional countries' share on world imports, which have reached approximately 20% in value, especially to the detriment of large importers, which have lost about 11 percentage points. In terms of volume the small non-traditional importers represent almost 22% of the market and their sharp increase in share (more than 13 percentage points) contrasts with the fall of shares of large and small traditional importers.

Overall during 2000–2011, 46% of the growth in value and 42% in volume of wine international trade were generated by the small non-traditional importers. The three largest importers accounted for 21% of the growth in value and 37% in volume, and the small traditional importers as much as 26% in value, yet only 13% in volume.

Turning to an analysis by category, all groups show an increase in imports, albeit with very diverse growth rates. This has resulted in a significant change in their relative importance in the international market, in the average unit value of imported wines and in the weight of the categories in the structure of imports in each group.

The main changes in the period 2000–2011 are worth pointing out:

- The large importers, which in 2011 represent over 40% of the world market for each category, increased their shares only in world bulk wine imports in value, and most dramatically in volume (about 10% in volume). For all categories, however, the increase in imports in value is always lower than that in volume and hence the unit value of imported products decreased. Bulk wine would appear to be replacing lower value bottled wine.
- The small traditional importing countries have increased their importance in world imports for sparkling wines alone, although the average unit value has fallen. Unlike the case of large importers, imports of bottled and bulk wines performed better in terms of value. Thus the average unit values for both categories have increased, particularly for bulk wine whose value is the highest at international level (€ 1.12). For these countries the share of bottled wine imports on total imports declined in favour of the sparkling wines.
- Small non-traditional importers are the only group that increased its share in all categories, both in value and in volume. The increase in flows in value exceeds that in

Table 3
Wine imports by group of countries and wine category 2010–11 average versus 2000–01 average: absolute (abs) and relative (%) growth; import shares in 2010–11 (%) and change (Δ) in period.
Source: Our calculations, based on GTI data.

Groups of importers	All wines				Bottled wine				Bulk wine				Sparkling wine			
	Growth		Import share		Growth		Import share		Growth		Import share		Growth		Import share	
	abs	%	%	Δ	abs	%	%	Δ	abs	%	%	Δ	abs	%	%	Δ
Value[a]																
Large importers	1,549.1	21.1	41.4	−10.7	784.3	13.6	41.6	−12.2	467.3	112.4	39.3	6.3	297.5	25.4	42.0	−13.2
Small traditional	1,907.0	39.5	31.4	−3.6	1,241.2	32.6	32.1	−4.4	180.3	38.7	29.0	−9.2	485.5	87.8	29.7	4.0
Small non-traditional	3,393.2	368.9	20.0	15.2	2,688.3	396.4	21.3	17.2	272.8	272.3	16.7	8.6	431.3	303.4	16.3	10.8
Mediterranean exporters	227.2	26.8	5.0	−1.4	132.4	35.7	3.2	−0.3	29.8	11.2	13.1	−9.4	65.1	30.8	7.9	−2.4
Other exporters	319.6	216.8	2.2	1.0	194.8	222.8	1.8	0.9	25.6	167.0	1.9	0.2	99.3	222.2	4.1	1.8
Total	7,396.1	52.5	100.0	0.0	5,041.0	47.1	100.0	0.0	975.7	77.3	100.0	0.0	1,378.7	64.9	100.0	0.0
Volume[b]																
Large importers	12,286.8	47.4	42.4	−2.9	3,237.3	17.8	43.3	−9.1	8,499.8	140.6	41.1	10.1	549.7	32.4	42.6	−14.6
Small traditional	4,388.1	26.5	23.3	−6.2	2,228.5	19.4	27.7	−6.2	1,381.5	31.4	16.4	−6.3	778.2	112.8	27.9	4.3
Small non-traditional	13,979.9	250.8	21.7	13.5	8,321.2	255.8	23.4	16.5	4,864.1	235.9	19.6	9.6	794.6	307.5	20.0	12.2
Mediterranean exporters	1,710.4	20.3	11.2	−4.1	643.2	42.8	4.3	−0.2	963.9	14.4	21.5	−13.0	103.4	41.1	6.7	−2.2
Other exporters	602.6	92.1	1.4	0.1	345.7	120.3	1.3	0.4	186.2	63.0	1.4	−0.4	70.7	98.9	2.7	0.3
Total	32,967.8	57.7	100.0	0.0	14,775.9	42.6	100.0	0.0	15,895.5	81.6	100.0	0.0	2,296.5	77.3	100.0	0.0

[a]Value = millions of euros;
[b]Volume = 000's of hectolitres.

volume and hence the average unit values for all categories of products rose (€ 2.9 for bottled, € 0.54 bulk, and € 5.44 for sparkling wine). Overall, the bottled wine imports showed the highest growth, now accounting for about 78% of total imports in value of this group (an increase of over 4%).

- The Mediterranean exporting countries have lost shares in all categories, while the other exporters have increased their shares, albeit only slightly. This increase is likely to be due both to the greater consumer preference towards imported wines and to the growth of product transfer between production units of multinational groups.

The flow of much of the imports toward new destinations has two main implications: first, the international wine distribution network is changing to adapt to the new structure of international demand. Intermediation is developing in countries other than producers and consumers, modifying the traditional competitive relationships among intermediaries and the vertical relationships along the supply chain. Some statistical evidence concerning this phenomenon is presented in Section 6. A second important consequence of the change in the geography of importers is that trade barriers are assuming greater importance, as discussed in Section 7.

4. Competitive performance of the main suppliers

The competitive performance trends of major exporters in the 21st century appear to be changing. After a long period of substantial growth in the market shares of the so-called New World producers in the 1990s, recent years have shown a new complex situation. What seems to emerge is a different performance among exporting countries in relation to: wine categories (bottled and bulk), dynamics in value and volume and the share in the different groups of markets[1].

For a detailed analysis of competitive performance, Table 4 shows the pattern of flows and market shares, in value and volume, for all wines and individual categories. In Tables 5–7 instead, the individual position of supplying countries in the three main groups of markets for bottled and bulk wine may be appreciated[2]. Starting from the classification of importers presented in Section 2, the non-traditional small importers are disaggregated by geographical area. The four tables highlight the basic pattern of the competitive position of the main suppliers.

Over the period 2000–2011 in absolute terms, France and Italy increased the most in value and Italy and Spain experienced the largest increase in volume. In relative terms some outstanding performances may be observed.

[1]The growing internationalisation of wine firms, through multinational companies and strategic alliances, would require to integrate the analysis of trade between countries with an analysis of the globalization strategies (Green et al., 2006).

[2]Sparkling wines are not considered as the competitive arena is dominated by France and Italy (mainly in terms of volume) in almost all geographical areas.

Table 4
Wine imports by suppliers and wine category average 2010–11 versus average 2000–01: imports in 2010–11 and in growth (%) in period; import shares in 2010–11 (%) and change (Δ) in period.
Source: Our calculations, based on GTI data.

Suppliers	All wines				Bottled wine				Bulk wine				Sparkling wine			
	Imports	Growth	Import share		Imports	Growth	Import share		Imports	Growth	Import share		Imports	Growth	Import share	
	2010–11	(%)	%	Δ	2010–11	(%)	%	Δ	2010–11	(%)	abs	%	2010–11	(%)	%	Δ
Value*																
France	7,089	34.5	33.0	−4.5	4,530	30.3	28.7	−3.8	283	−11.5	12.7	−12.6	2,276	54.2	65.0	−4.5
Italy	4,235	71.2	19.7	2.2	3,328	67.6	21.1	2.6	343	25.5	15.3	−6.3	563	164.2	16.1	6.0
Spain	1,912	55.4	8.9	0.1	1,218	53.1	7.7	0.3	380	88.1	16.8	0.8	314	34.9	8.9	−2.0
Australia	1,566	28.1	7.3	−1.3	1,270	12.5	8.1	−2.4	243	276.9	10.8	5.7	53	83.4	1.5	0.2
New Zealand	655	469.4	3.0	2.2	563	428.1	3.6	2.6	79	11,413.5	3.5	3.5	12	61.8	0.4	0.0
Chile	1,251	78.9	5.8	0.9	1,045	72.2	6.6	1.0	192	119.5	8.6	1.7	14	180.2	0.4	0.2
Argentina	601	295.4	2.8	1.7	535	312.7	3.4	2.2	52	248.3	2.3	1.1	14	86.3	0.4	0.0
USA	783	16.8	3.6	−1.1	596	−2.1	3.8	−1.9	168	272.6	7.5	3.9	19	14.2	0.5	−0.2
South Africa	547	61.0	2.6	0.2	372	35.0	2.4	−0.2	162	181.0	7.3	2.7	13	92.0	0.4	0.0
Others	2,843	48.9	13.3	−0.3	2,285	44.1	14.5	−0.3	334	71.1	15.1	−0.4	224	73.1	6.4	0.3
Volume**																
France	14,118	3.9	15.7	−8.1	9,939	8.5	20.1	−6.3	2,615	−23.0	7.4	−10.0	1,564	52.2	29.7	−4.8
Italy	20,336	36.2	22.6	−3.6	11,705	54.9	23.6	1.9	7,050	6.0	20.0	−14.0	1,580	117.8	30.0	5.6
Spain	16,897	109.9	18.7	4.6	5,552	74.5	11.2	2.0	10,222	147.9	28.7	7.5	1,122	50.7	21.2	−3.9
Australia	7,256	117.4	8.1	2.2	3,813	33.7	7.7	−0.5	3,296	673.6	9.3	7.2	147	146.1	2.8	0.8
New Zealand	1,577	650.5	1.7	1.4	1,063	441.7	2.1	1.6	490	18,126.7	1.4	1.4	23	108.9	0.4	0.1
Chile	6,739	146.4	7.5	2.7	4,188	124.9	8.5	3.1	2,502	195.6	7.2	2.8	49	80.3	0.9	0.0
Argentina	2,872	369.2	3.2	2.1	2,101	370.5	4.3	3.0	713	368.6	2.0	1.2	58	330.5	1.1	0.7
USA	3,648	74.9	4.0	0.4	1,472	−11.6	3.0	−1.8	2,135	457.8	6.0	4.1	41	8.1	0.8	−0.5
South Africa	3,414	128.8	3.8	1.2	1,476	51.0	3.0	0.2	1,898	272.9	5.4	2.7	40	593.3	0.8	0.6
Others	13,271	31.1	14.7	−3.0	8,172	19.9	16.5	−3.1	4,458	49.1	12.7	−2.7	641	102.1	12.2	1.5

*Value = millions of euros;
**Volume = 000's of hectolitres.

In value, imports from New Zealand grew almost five-fold and those from Argentina almost three-fold. Also in volume, New Zealand and Argentina are the top performers (imports from New Zealand grew more than six-fold and from Argentina almost four-fold) while imports from other suppliers (Spain, Australia, Chile, South Africa) more than doubled.

Turning to changes in competitive position, France experienced, during the whole period, a steady erosion of its market share, both in value (−4.5%) and volume (−8.1%) for all categories. With regard to the different groups of markets, the following should be noted: the sharp fall in market shares in small traditional importers, the strong position in Asian markets (with a share of around 55% in value) and the positive performance in Eastern Europe (the share increased by 10%). An important positive result is the strong increase in market share for bottled wine in Asia, mainly at the expense of the United States.

Italy saw a weakening of its market shares until 2004 and then the trend reversed. In the period 2000–2011 its share in value increased by 2% and the loss of market share in volume was limited to 3.6%. Italy has gained market share in both value and volume for bottled and sparkling wines, but has suffered a significant decline in the market share for bulk wine (especially in volume). In geographical terms, Italy has achieved positive results, in both value and volume, in the large importers, in the small traditional importers and in Eastern Europe. For bottled wines, however, Italy is only the fourth largest supplier in Asia and has suffered a decline of share in value. Furthermore, the share of bottled wine on Latin American markets has declined markedly.

Spain has managed to increase its market share in volume continuously (recording the largest increase, i.e.4.6%), keeping the share constant in value. Spain has increased its share more for bulk than for bottled. It is worth noting the fall-back in Asia, where the share has declined by more than 4% in volume. This is due to the sharp decline in market share for bulk wine whereas the share of bottled wine has increased.

Australia has seen a reversal of the trend in the period: up to 2005 market shares grew sharply both in value and volume, but since 2006 the performance in value has slowed, with the end result of a 1.3% decline in market share. This trend is due to the sharp reduction in market share for bottled wine and a considerable increase in the share for bulk wine. As for bottled wine, Australia experienced significant losses in large importers and in Asia; however, these are the areas where the biggest increases in bulk wine volume have been recorded. Only in the small traditional countries has Australia performed well both for bottled and bulk wines.

Table 5
All wine imports by supplier and importing country group 2000–01 average versus 2010–11 average: import shares in 2010–11 (%) and change (Δ) in period.
Source: Our calculations, based on GTI data.

Suppliers	**Large importers**		**Small traditional**		**Small non-traditional**							
					Asia		**East Europe**		**Central Europe**		**Latin America**	
	%	Δ	%	Δ	%	Δ	%	Δ	%	Δ	%	Δ
Value												
France	29.9	−5.0	35.0	−10.2	54.6	−0.6	26.6	10.5	13.0	−6.9	14.7	−5.6
Italy	25.9	4.5	18.5	5.1	4.9	−0.5	25.8	21.2	19.8	−1.3	11.3	−2.4
Spain	8.7	0.4	8.2	−0.2	3.5	−1.4	13.9	9.4	7.5	0.3	14.5	0.2
Australia	9.3	−3.2	5.9	1.5	12.2	2.1	0.6	0.3	0.9	0.3	0.8	0.5
New Zealand	3.8	2.7	1.2	0.9	1.3	0.7	0.2	0.1	0.2	0.2	0.3	0.2
Chile	5.6	0.6	5.9	1.0	5.4	1.2	4.2	3.2	4.2	3.0	28.4	3.6
Argentina	3.1	1.9	2.7	1.7	0.8	0.4	1.2	0.8	1.1	0.8	17.6	12.6
USA	2.3	−0.9	5.5	−2.4	5.0	−5.3	0.8	−0.1	0.6	−2.2	2.6	−2.0
South Africa	2.7	−0.1	3.6	1.0	0.9	0.2	1.1	0.8	0.9	0.3	0.8	0.7
Volume												
France	14.6	−9.5	24.8	−11.9	30.4	2.9	15.1	0.3	5.1	−2.0	5.2	−6.2
Italy	30.7	0.1	18.2	2.0	8.2	−2.3	18.0	15.5	26.0	−7.4	13.5	−2.2
Spain	11.6	2.1	11.2	0.1	15.7	−4.2	26.5	19.4	9.0	0.1	11.4	0.3
Australia	12.6	3.5	6.3	2.8	15.8	3.5	0.3	0.1	0.4	0.3	0.6	0.4
New Zealand	2.2	1.7	0.8	0.6	0.9	0.5	0.0	0.0	0.1	0.0	0.1	0.1
Chile	7.3	2.6	8.6	2.7	14.3	4.8	2.7	2.3	2.3	2.0	38.1	6.6
Argentina	3.4	2.3	3.3	2.2	1.4	0.6	1.3	1.0	0.5	0.5	18.7	13.9
USA	4.0	1.1	4.9	−1.9	6.5	−4.7	0.5	0.1	0.3	−0.2	2.8	−2.4
South Africa	4.7	1.9	5.9	2.1	1.7	1.0	1.3	1.1	0.6	0.5	0.7	0.6

Table 6
Bottled wine imports by supplier and importing country group 2000–01 average versus 2010–11 average: import shares in 2010–11 (%) and change (Δ) in period.
Source: Our calculations, based on GTI data.

Suppliers	**Large importers**		**Small traditional**		**Small non-traditional**							
					Asia		**East Europe**		**Central Europe**		**Latin America**	
	%	**Δ**	%	**Δ**	%	**Δ**	%	**Δ**	%	**Δ**	%	**Δ**
Value												
France	24.2	−5.1	31.3	−10.1	52.6	7.8	31.1	16.0	12.9	−13.3	8.3	−8.2
Italy	28.9	5.5	20.0	6.0	4.9	−1.3	20.2	17.4	16.6	8.5	10.7	−3.3
Spain	8.2	1.3	7.7	−0.8	2.8	0.6	12.4	9.2	8.3	−2.0	15.6	0.9
Australia	9.7	−5.2	6.7	1.6	13.0	−2.0	0.8	0.6	1.1	0.0	1.0	0.5
New Zealand	4.3	2.9	1.6	1.2	1.6	0.6	0.2	0.2	0.3	0.2	0.3	0.2
Chile	6.4	0.6	6.5	1.4	4.8	0.4	5.8	4.6	5.2	3.4	31.7	5.5
Argentina	3.6	2.4	3.2	2.3	0.9	0.4	1.4	0.9	1.4	1.0	19.3	13.8
USA	2.1	−1.7	6.2	−2.9	5.5	−8.3	0.9	0.0	0.8	−3.7	2.3	−1.8
South Africa	2.5	−0.4	3.2	0.5	1.0	−0.1	0.9	0.6	0.9	0.0	0.9	0.8
Volume												
France	17.1	−7.9	26.6	−9.0	40.2	5.6	26.1	19.7	7.6	−4.9	4.3	−6.7
Italy	32.9	4.5	18.8	2.9	8.1	−0.2	16.5	14.7	20.5	15.9	13.5	−3.0
Spain	9.1	1.9	9.4	−1.4	7.3	3.2	17.1	14.7	12.9	−9.4	10.6	−0.3
Australia	10.8	−0.9	6.0	1.7	15.9	−4.1	0.5	0.3	0.5	0.2	0.7	0.5
New Zealand	2.5	1.8	0.4	0.2	1.4	0.7	0.1	0.1	0.1	0.1	0.1	0.1
Chile	7.7	2.4	8.7	3.6	9.5	4.3	4.7	4.1	3.3	2.6	38.3	8.9
Argentina	3.6	2.4	4.0	3.1	1.9	1.4	1.4	1.1	0.8	0.7	20.5	15.2
USA	2.5	−1.3	4.2	−3.2	8.0	−7.4	0.7	0.2	0.5	−1.0	2.0	−2.2
South Africa	3.4	0.3	4.0	0.6	1.9	0.6	0.7	0.5	0.5	0.2	0.8	0.7

Table 7
Bulk wine imports by supplier and importing country group 2000–01 average versus 2010–11 average: import shares in 2010–11 (%) and change (Δ) in period.
Source: Our calculations, based on GTI data.

Suppliers	Large importers		Small traditional		Small non-traditional							
					Asia		East Europe		Central Europe		Latin America	
	%	Δ	%	Δ	%	Δ	%	Δ	%	Δ	%	Δ
Value												
France	11.7	−9.8	23.3	−19.2	11.4	−6.9	2.9	−20.0	1.0	−2.9	4.4	−3.5
Italy	19.0	−3.4	13.9	0.1	7.2	−5.6	12.6	9.1	29.8	−15.4	1.4	−4.3
Spain	7.7	−0.9	8.0	−1.6	21.2	−11.6	37.4	19.6	4.3	3.7	15.2	8.6
Australia	18.9	8.7	6.2	3.8	21.1	16.3	0.0	−0.6	0.5	0.4	0.1	0.0
New Zealand	5.8	5.8	0.4	0.4	0.1	−0.1	0.0	0.0	0.1	0.1	0.0	0.0
Chile	8.4	1.2	9.9	1.1	25.9	10.6	2.1	2.1	1.3	1.3	54.5	14.8
Argentina	3.7	2.8	2.2	0.4	0.4	−0.9	1.9	1.6	0.2	0.2	0.4	−2.1
USA	7.4	5.1	6.4	0.3	6.5	−1.7	0.8	−0.4	0.2	0.0	15.2	−10.2
South Africa	8.6	0.9	11.5	7.1	1.0	0.8	3.4	3.4	1.1	1.0	0.0	0.0
Volume												
France	8.6	−10.9	19.3	−18.7	6.0	−7.8	1.2	−35.4	0.3	−3.0	0.7	−4.7
Italy	27.3	−10.3	15.4	−1.3	7.7	−6.6	14.1	11.5	34.3	−17.7	0.4	−4.1
Spain	12.3	3.2	12.5	1.2	36.0	−6.8	42.0	23.3	2.5	2.0	18.1	13.7
Australia	16.7	13.1	8.1	6.2	15.8	13.5	0.0	−0.3	0.2	0.2	0.0	0.0
New Zealand	2.1	2.1	0.4	0.4	0.0	−0.1	0.0	0.0	0.0	0.0	0.0	0.0
Chile	7.8	3.6	10.3	1.4	25.1	7.3	0.7	0.7	0.7	0.7	62.7	3.9
Argentina	3.4	2.9	2.5	0.5	0.3	−1.0	1.5	0.9	0.1	0.1	0.3	−1.7
USA	6.8	5.8	7.3	1.4	3.9	−0.4	0.3	−0.1	0.1	0.1	9.6	−7.4
South Africa	7.2	4.3	11.6	6.3	1.2	1.1	2.1	2.1	0.8	0.8	0.0	0.0

Table 8
Bulk wine imports by importers 2000–01 average versus 2010–11 average: volume, unit value and incidence on still wine imports of imported bulk wine and absolute (abs) and relative (%) growth in period (top 17 countries according to volume).
Source: Our calculations, based on GTI data.

Importing country ([b])	2010–11			Changes over 2000–01				
	Volume[a]	Unit value (€/lt)	Share (%) on still wine	Volume[a]		Unit value (€/lt)		Share (%) on still wine
				abs	%	abs	%	abs
Germany	8,805.2	0.48	60.3	3,987.9	82.8	0.02	3.4	37.2
France	4,859.7	0.34	78.4	596.2	14.0	−0.04	−11.7	−3.3
United Kingdom	3,626.1	0.83	29.7	2,580.1	246.7	−0.71	−85.4	155.4
Russia	2,523.5	0.42	52.6	2,105.0	502.9	−0.05	−12.9	87.9
USA	2,114.8	0.73	23.1	1,931.7	1,055.1	−0.83	−113.5	438.3
Italy	1,610.2	0.51	89.3	1,205.0	297.4	−0.01	−1.8	18.2
China	1,286.4	0.68	39.9	992.0	337.0	−0.06	−8.4	−57.2
Portugal	964.7	0.34	73.3	−534.4	−35.7	−0.05	−13.6	−15.0
Sweden	909.8	1.48	50.3	568.9	166.8	0.19	12.9	85.6
Canada	902.2	0.70	26.2	280.0	45.0	−0.06	−8.6	−2.3
Switzerland	800.1	1.00	46.0	−275.2	−25.6	−0.18	−18.5	−26.4
Czech Republic	786.7	0.51	49.0	318.8	68.2	0.20	40.0	−17.8
Belgium	776.5	1.07	28.9	57.7	8.0	−0.03	−3.2	−1.4
Denmark	761.9	1.14	40.5	150.0	24.5	0.20	17.6	23.6
Romania	487.8	0.38	88.8	487.8	na	na	na	na
Norway	371.5	1.84	49.5	169.2	83.7	0.43	23.3	18.4
Japan	371.0	1.00	21.0	92.5	33.2	−0.26	−26.2	17.4

[a]Volume = 000's of hectolitres.
[b]The listed countries account for about 90% of world bulk wine imports (2010–2011 average).

The United States has followed a similar trend to that of Australia, i.e. negative for bottled and fairly positive results for bulk wine. For bottled wine there has been a sharp loss of market share in Asia. The strong increase in share for bulk wine is due to the results obtained mainly in the large importers and, to a lesser extent, in small traditional countries.

New Zealand has strengthened its position in all categories and in all areas, with levels and increases in market share which are higher in value than those in volume. Since 2006 New Zealand has also become a supplier of bulk wines. The increases in shares are very high in the large importers (for bottled and bulk) and in the small traditional countries (for bottled).

Chile, Argentina and South Africa have gained market share in the two categories of wines and in all areas with better results in volume than in value. As might be expected, Chile holds a dominant position in Latin American markets while its strong performance in Asia for bottled in volume and for bulk is to be noted.

5. Bulk wine trade

As stated in Section 2 the lively growth of the bulk wine trade is one of the characterising features of developments in the international wine trade over the last ten years but is the result of different processes that the statistics cannot register separately. Indeed, the flows registered under code 220429 include three types of products of increasing unit value: (i) bulk wine among producers; (ii) bulk wine from producers to markets of consumption for local bottling and distribution; (iii) wine ready for consumption packed in containers larger than two litres, of the mainly bag-in-box type (INEA, 2012).

The actual composition of import flows under code 220429 is almost impossible to measure with official statistics. However, upon analysing the import flows in the countries most involved in bulk wine imports and comparing the unit value of imported bulk wine, we may shed some light on the different types of flows and hence on the complex structure of the bulk wine trade.

Table 8 analyses the trends in bulk wine imports in the 17 countries importing the largest quantities of bulk wine which currently represent 90% of world bulk wine imports. Inspection of the table reveals first of all that the fast-growing bulk wine trade is country-specific: more than half the bulk wine imports are now concentrated in four countries. Making allowances for the variations during the time span considered, the seven largest importers which currently represent slightly more than two-thirds of world imports may be estimated to have contributed 85% to the total increase in world imports in the last decade.

All the major importers except for two, Portugal and Switzerland, have increased their imports although the individual growth rates differ substantially: six countries have more than doubled their imports, the United States of America has remarkably increased bulk imports ten-fold and Russia has experienced a five-fold increase in bulk imports. Of the large bulk wine importers, France is the country with the smallest increase in bulk wine imports. In more than half of the major importers the share of bulk imports on still wine imports increased, especially where imports of bulk wine increased more than the average. The only exception is China, although bulk imports more than tripled, due to the massive increase in bottled wine imports.

The unit value of imported bulk wine in the single countries is divergent, accentuating the differences among countries. The range of unit value expressed in €/litre has at the lower edge the unit values of imports in France and Portugal (0.34), Romania (0.38) and Russia (0.42). At the upper edge are the Scandinavian countries (Denmark, 1.14; Sweden 1.48; Norway, 1.84).

Such differences in the unit value of imports shed some light on the differences in the composition of bulk wine imports across countries. Countries with a very low unit value of imported bulk appear specialized in wine imports destined to be mixed with national wine or processed prior to consumption. Conversely, the high unit value of imported bulk wine in countries such as Sweden, Denmark and Norway indicates that such markets receive important quantities of wine packed for consumption in containers larger than two litres. Countries with an intermediate unit value of bulk wine imports are likely to receive import flows with a balanced composition of wine imported in containers larger than two litres, with a major share of finished wine which is bottled in the destination market and sold with a private label or with a producers label.

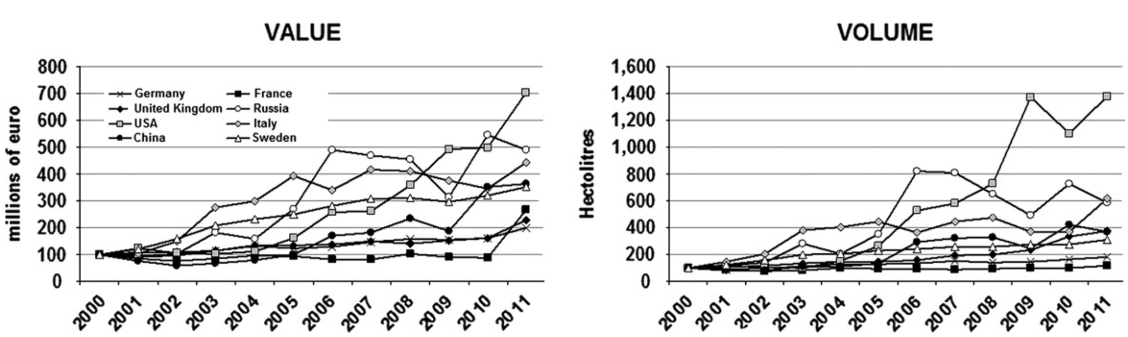


Fig. 4. Bulk wine imports of main importers, in value and volume, 2000–2011.
Source: Our calculations, based on GTI data.

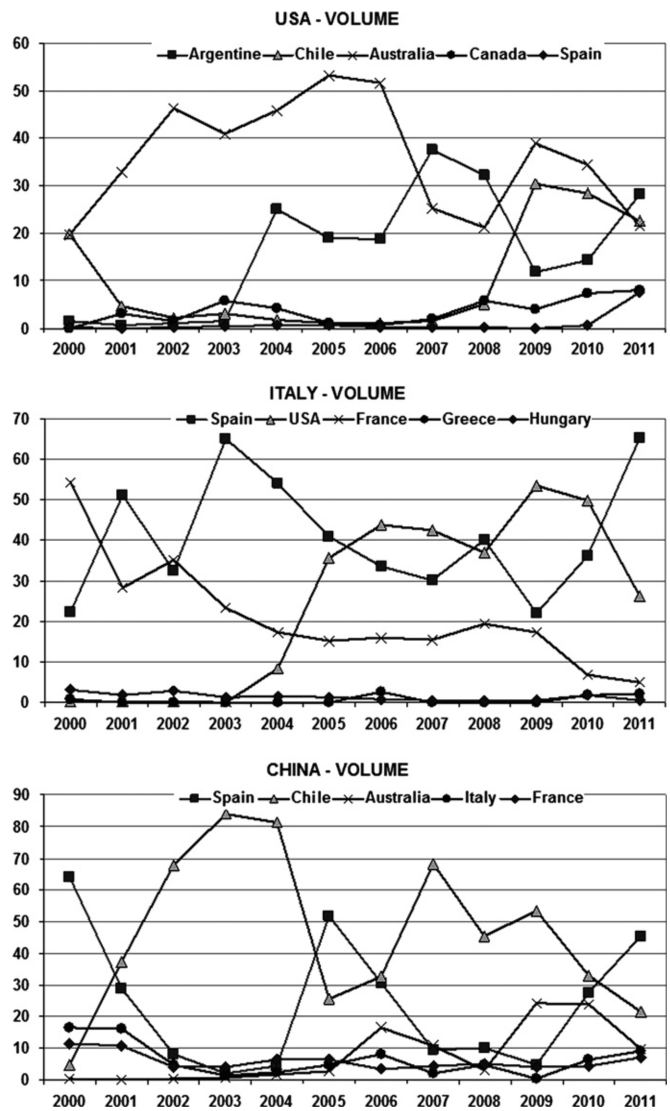


Fig. 5. Imports of bulk wine in the USA, Italy and China: share (%) on imports of main suppliers, volume, 2000–2011.
Source: Our calculations, based on GTI data.

As the growth in importance of the international trade of bulk wine is a major aspect of the reorganisation of the international distribution of wine it is worth analysing how the import of bulk wine has developed over time. Fig. 4 shows the trend in bulk wine imports in some of the larger markets for this wine. It may be observed that a peculiar aspect of the increase in bulk wine imports is the non-regularity of the progression of imported quantities, with irregular increases and temporary contractions.

But a second and more peculiar aspect is the accentuated dynamic of the competitive performance of some suppliers, measured as a share on the imported wine. In the last decade in some countries the progressive establishment of a market leader has occurred with the consequent reduction of competitor shares; this holds for France, the UK and Russia. Conversely, in other countries the position of single suppliers looks very unstable, as is the case of the United States of America, Italy and China (Fig. 5).

6. Re-export activity

The spread of wine consumption to countries that were hitherto non-consumers, due to new consumption habits of the resident population or to those of tourist or business travellers, has driven changes in the international wine distribution network, multiplying the number of intermediaries (market makers and match makers) and establishing new routes for the transport of wine from the production area to the consumer. Such new routes have been shaped in many cases by some importers extending their activity to neighbouring countries, by the search for a lower impact of import tariffs and by cost containment using storage or bottling facilities in a country other than that of final destination. This approach to organising access to new markets has driven re-exporting, i.e. exporting from one country wine previously imported.

Investigation of such a phenomenon is far from easy. However, by combining statistics on wine production and exports it is possible to identify some exporting countries without domestic production or with a production lower than their exports. By filtering wine exporters in this way a set of 33 re-exporting countries was identified. The 20 countries with the largest value of exports in this group (Table 9) show a different contribution to world exports and only ten of these account for 95% of the total value of the whole group's exports. The largest re-exporters are the UK, Singapore, the Netherlands and Hong Kong. Taken together, the Baltic Republics and Scandinavian countries assume some importance.

The incidence on the global value of wine exports of the 33 countries doubled from 2000 (3.5%) to 2011 (7%); the incidence in terms of volume is lower and increased over the same period from approximately 2% to 3%. As a consequence, the unit value of the exports of these re-exporting countries is increasingly higher than the average of world exports, especially in some countries, indicating that re-exporting frequently involves high value wines. In a fair number of the countries in Table 10 exports represent a considerable share of imports (namely in value, indicating that premium wine imports are destined widely or mostly for re-export) and re-exporting activity is well established. Notable cases are Singapore, Latvia and Lithuania. Nevertheless, re-export activity looks highly unstable in many of the smaller re-exporters.

Analysis of the markets supplied by re-exporters (Table 10) shows that the wine in question was mostly transported to the surrounding countries with some exceptions, as is the case of UK exports to Hong Kong and Singapore exports to Australia. The role of the Baltic Republics as suppliers of the Russian market is fairly important. Analysis of markets supplying re-exporters shows that these countries mostly receive wine from producing countries but in some cases also from other

Table 9
Wine export of re-exporting countries without domestic production or with a tiny domestic production 2010–11 average versus 2000–01 average: value, volume, unit value and incidence on imports in 2010–01; multiplying factors for value and volume of export and relative change of unit value in period (all wines—top 20 countries according to value).
Source: Our calculations, based on GTI data.

Re-exporting country	2010–11					Changes over 2000–01		
	Value[a]	Volume[b]	Unit value (€/lt)	Incidence on import		Multiplying factor		Unit value (%)
				Value	Volume	Value	Volume	
United Kingdom	550.6	864.0	6.37	16.5	6.6	3.2	4.8	−32.6
Singapore	231.8	128.3	18.07	73.9	50.9	3.2	4.4	−26.4
Netherlands	158.2	220.1	7.19	18.9	6.3	1.2	0.8	42.4
Hong Kong	153.2	154.1	9.94	19.4	34.9	18.4	15.9	15.4
Belgium	107.4	231.4	4.64	12.0	7.5	1.2	1.0	13.2
Denmark	87.4	293.7	2.98	17.2	15.1	1.7	1.3	32.1
Latvia	85.7	356.5	2.40	98.1	89.3	33.5	20.8	61.0
Lithuania	74.1	521.0	1.42	69.1	67.6	183.6	180.8	1.5
Malaysia	24.4	27.2	8.97	51.6	43.2	11.7	10.9	8.3
Estonia	15.0	49.3	3.04	30.4	23.9	1,090.5	945.9	15.3
Thailand	13.5	47.3	2.85	48.3	43.4	7.3	4.6	61.1
United Arab Emirates	13.0	31.9	4.08	22.3	21.7	na	na	na
Sweden	12.7	40.6	3.13	2.6	2.1	2.7	3.6	−24.3
Finland	8.7	25.8	3.37	5.1	3.9	12.6	13.6	−7.4
Ireland	8.1	30.0	2.70	3.6	4.3	7.2	9.0	−20.8
Poland	6.1	32.1	1.90	3.9	3.4	8.1	6.9	18.6
Indonesia	4.8	3.4	14.12	322.0	252.5	49.8	9.2	443.9
Norway	4.7	12.8	3.67	1.7	1.6	2.3	2.6	−11.4
India	2.4	9.0	2.67	19.7	25.9	12.2	6.4	88.9
Kenya	2.0	12.1	1.65	24.0	20.4	na	na	na

[a]Value = millions of euros;
[b]Volume = 000's of hectolitres.

Table 10
Wine re-exporting countries without domestic production or with a tiny domestic production: main suppliers and client markets in 2011 (all wines—top 20 countries according to value).
Source: Our calculations, based on GTI data.

Re-exporting country	Suppliers		Clients	
	First	Second	First	Second
United Kingdom	France	Italy	Hong Kong	France
Singapore	France	Australia	Japan	Australia
Netherlands	France	Germany	Norway	Macau
Hong Kong	France	United Kingdom	Macau	China
Belgium	France	Spain	Holland	France
Denmark	Italy	France	Germany	Sweden
Latvia	France	Italy	Russia	Belarus
Lithuania	France	Italy	Russia	Latvia
Malaysia	Australia	France	Hong Kong	Thailand
Estonia	Italy	France	Russia	Finland
Thailand	France	Australia	Myanmar	Cambodia
United Arab Emirates	France	Australia	ports Francs	Australia
Sweden	France	Italy	Norway	Denmark
Finland	France	Chile	Estonia	Russia
Ireland	United Kingdom	France	United Kingdom	France
Poland	Germany	Italy	Ukraine	Czech Republic
Indonesia	Singapore	France	Singapore	Hong Kong
Norway	Italy	France	Denmark	United Kingdom
India	France	Australia	Maldives	United Arab E.
Kenya	South Africa	Chile	Dem. Rep. of Congo	Burundi

re-exporters, just as the UK supplies Hong Kong and Ireland, and Singapore supplies Indonesia. In some cases a single country supplies and is supplied by the same re-exporter. This applies to France vis-à-vis the UK, Belgium and Ireland; the UK vis-à-vis Ireland; Singapore with respect to Indonesia; Australia vs. the UAE.

Re-exporting is not confined to the non-producing or marginally producing countries. The professional media reveal a substantial increase in wine re-exporting from many large producing countries, thereby exploiting logistic platforms, integrated in some cases with bottling or packing facilities, in such countries. Yet in producing countries it is not possible to highlight re-exporting activity by crossing aggregate data on production and export. But for Germany official statistics are available which indicate that in 2011 this country re-exported 2.1 million hectolitres. This is a massive increase, given that in 2000 and 2001 the re-exported volume was about 0.3 million hectolitres. Germany is probably the largest re-exporter of wine, re-exporting in volume more than twice that of the UK, albeit with a rather low unit value (about € 2.6/l).

Combining the information from Germany with the data in Table 9, it emerges that wine re-exports involve at least 5 million hectolitres. Hence the amount of world exports coming from statistics overestimates the actual volume of wine traded internationally by 6% at the very least.

7. Trade barriers

Over the past century, the growth of the international wine trade has been fostered by the trade liberalisation process. This process has been brought about both by the establishing of economic integrated areas (the most relevant to the wine trade are the EU, NAFTA, MERCOSUR and ANZCERTA[3]) where tariffs and, in varying degrees, non-tariff barriers have been removed and by the progress of the World Trade Organization (WTO) towards a general and progressive reduction of tariffs and more effective regulation of non-tariff barriers.

Tariffs are the most tangible trade barrier: they increase prices of imports, thereby impeding access to markets. The current level of tariffs is constrained by WTO rules: all members are committed to set tariffs at levels (Most-Favoured-Nation Tariff) above which they cannot be raised without compensation to the countries concerned. The currently bound tariffs are the result of the Uruguay Round, because the new negotiation, the Doha Round, is still in progress and it is doubtful that it will ever end with an agreement.

Tariffs on wine, depending on the importing countries, could be expressed as: ad valorem, with one rate or different rates according to the price level of the product; specific volume-based (per litre); specific alcohol-based (alcoholic strength); a mixed of ad valorem and specific. In addition, tariffs could differ according to the various types of wine (still bottled or bulk, sparkling wine). Specific tariffs based on volume are the most popular in Europe and North America, whereas ad valorem tariffs are used in the Asia-Pacific region with the exception of Japan and Malaysia (Anderson, 2010). Due to the presence of specific tariffs, evaluating and comparing the level of market protection for wine requires complex estimates. According to the literature, tariff protection is quite low in countries which have long been involved in importing wine, although the main new world exporters complain that the EU has a higher tariff level. By contrast, the tariff level is high in countries which have recently experienced growing wine imports, i.e. mainly Asian markets (Anderson, 2010).

Non-tariff barriers refer to the wide and heterogeneous range of policy interventions other than border tariffs that affect and distort trade in goods, services and factors of production (Deardorff and Stern, 1998). In this range, particularly critical are the technical barriers to trade which have been regulated by the WTO through two agreements (Agreement on Technical Barriers to Trade and the Sanitary and Phytosanitary Agreement) on the basis of common principles of harmonisation, equivalence and mutual recognition (Commonwealth Secretariat, International Trade Centre, 1999). Implementation of such WTO regulations has given rise to some critical issues and has not proved effective at preventing the increase in technical barriers.

With regard to the wine trade, few standards have so far been defined by the Codex Alimentarius, recognised by the WTO as a standard-setting organisation, while the International Wine Organization (OIV), though an intergovernmental organisation committed to establishing technical and commercial standards for wine, is not recognised by the WTO (Battaglene, 2011a).

According to the literature (ICE, 2010, Wine Institute, 2010, Winemakers' Federation of Australia, 2010), the technical barriers of major concern for the wine trade are as follows: (i) wine labelling regulations; (ii) winemaking practices; (iii) maximum residue limits of agrichemicals: they differ between countries both in level and approved use on products; (iv) certification and testing procedures.

In the 21st century as the fast-growing new wine importers are highly protected by tariffs and are developing wine market regulations (in some cases even to protect the domestic wine industry in its infancy) which could prove to be non-tariff barriers, the issue of the level and types of barriers to trade is assuming new importance. Indeed, trade barriers could seriously constrain the growth potential of world wine imports, and processes of non-uniform reduction could affect the competitive advantages of suppliers (Hussain et al., 2008).

With reference to the reduction in non-tariff barriers in the wine trade, a major initiative is the World Wine Trade

[3]European Union (EU), North American Free Trade Agreement (NAFTA), Mercado Común del Sur (MERCOSUR), Australia New Zealand Closer Economic Agreement (ANZCERTA).

Table 11
Wine exports by commercial relations between exporter and importer 2010–11 average versus 2000–01 average: value, volume, shares and unit value in 2010–11; absolute change of share (Δ) and relative change of unit value (%) in period (all wines).
Source: Our calculations, based on GTI data.

	2010/11					Changes over 2000/01		
	Value[a]	Volume[b]	Share (%)		Unit value (€/l)	Share (Δ)		Unit value (%)
			Value	Volume		Value	Volume	
Shipping inside economic integrated areas (A)	**9,146**	**48,157**	**41.5**	**50.0**	**1.90**	**−8.8**	**−13.5**	**5.4**
of which: inside European Union (27)	8,566	46,172	38.9	47.9	1.86	−10.0	−13.8	3.0
inside NAFTA	261	771	1.2	0.8	3.39	0.4	0.0	57.1
inside MERCOSUR	73	456	0.3	0.5	1.61	0.1	−0.1	93.4
inside ANZCERTA	246	757	1.1	0.8	3.25	0.7	0.4	35.4
Trade among WWTG (B)	**1,814**	**7,915**	**8.2**	**8.2**	**2.29**	**2.5**	**3.6**	**−18.7**
Shipping outside (=C−A+B)	**11,083**	**40,256**	**50.2**	**41.8**	**2.75**	**6.3**	**10.0**	**−12.5**
of which:European Union (27)	7,386	21,421	33.4	22.2	3.44	3.6	4.0	−7.8
WWTG to other countries	4,758	25,299	21.6	26.3	1.88	2.9	8.5	−21.7
Other exporters	754	1,451	3.4	1.5	5.22	2.3	1.0	5.9
Total wine export (C)	**22,043**	**96,328**	**100.0**	**100.0**	**2.29**	**0.0**	**0.0**	**0.5**

[a]Value=millions of euros;
[b]Volume=000's of hectolitres.

Group (WWTG)[4] which currently includes eight countries long involved in the wine business. These countries have implemented an effective approach, based on WTO ideas of harmonisation and mutual recognition, to removing technical barriers to the wine trade among its members, attaining some important agreements[5], and are now trying to involve fast-growing importing countries[6].

In order to obtain an initial quantitative assessment of the wine exports most vulnerable to trade barriers, flows are broken down to quantify: (i) trade between countries within Regional Integrated Areas; (ii) trade within the WWTG countries; (iii) exports shipped outside the above groupings of countries (Table 11).

Over the considered time span the share of international trade among countries belonging to the same economic integrated area has greatly diminished in value and volume (due to EU intra-trade) while the share of trade among the WWTG has increased. The share of exports shipped outside these groupings of countries has increased, now accounting for about half the value and 42% in volume. It emerges clearly from Table 11 that a major share of international trade could be exposed to trade barriers. The future development of the international wine trade is thus dependent on how such barriers will be managed.

[4]The WWTG, founded in 1998, is an informal grouping of government and industry representatives from Argentina, Australia, Canada, Chile, Georgia, New Zealand, the United States and South Africa (Knaup, 2010).

[5]The Mutual Acceptance Agreement on Oenological Practices; The Agreement on Requirements for Wine Labelling; The Memorandum of Understanding on Certification Requirements.

[6]In 2010 countries that are not members of the WWTG (such as China, Japan, Hong Kong, Brazil and Uruguay) have been invited to the annual meeting. Furthermore, the WWTG is establishing regular relations with the Asia-Pacific Economic Cooperation (APEC) countries (Battaglene, 2011b).

8. Final remarks

Our analysis of the international wine trade over the period 2000–2011 highlighted both its growth and the way its structure has evolved. Having outlined the main trends, we now briefly discuss what appear to be the most critical issues in order to highlight the main aspects requiring specific and extensive research. Such issues comprise: (i) changes in the composition of flows; (ii) new trade routes; (iii) the peculiar progression of the competitive performance of suppliers; (iv) the increased complexity of the market's regulatory framework.

The changes in flow composition, with the increased share of bulk wine and sparkling wine, appear the result of two drivers: evolution of consumer demand and, for bulk wine, the search for a more efficient organisation to supply foreign markets. On the consumption side, the dominant trends in wine consumption highlighted by the most recent studies on drivers of customer preferences provide explanations for the increase in the international trade in sparkling wine as well as wine for consumption in bag-in-box (BiB) packaging recorded as bulk wine by statistics. According to the most relevant studies, in making choices about what they eat and drink modern consumers appear influenced by three mega-trends: health, convenience and indulgence/premiumisation. Moreover are identified eight inter-related sub-trends: wellness, speeding up, demographics, authenticity, ethics, sophistication, exclusivity and value (AWBC, 2007).

The trend towards indulgence and the natural tendency to differentiate the type of wine chosen when enhancing the experience appears consistent with the growth of sparkling wine consumption (Hannin et al., 2010). Such growth, as seen in Section 2, has been facilitated by the availability of affordable sparkling wine with an individual image which has become trendy in some countries. For example, the London-based research agency Wine Intelligence claims that the current decade is becoming the Prosecco Decade in the UK. The trend toward convenience, in synergy with the sub-trend ethics, seems consistent with the growth of the consumption of wine in BiB: such packaging increases customer productivity, it is simple to use, convenient, usually visually attractive and easy to dispose of and recycle (Hannin et al., 2010; Santini et al., 2007). That said, interest in BiB is not contradictory with the trend toward premiumisation as consumers are becoming more rational and eclectic, able to choose a wine with good value for money and service content for daily or relaxed occasions and high price superpremium wines for special occasions.

The expected persistence of the mega trend of indulgence makes further growth in sparkling wine consumption probable, albeit at a lower rate with respect to the recent past, and the expected persistency of the convenience trend should ensure a further development of BiB. This prospect looks confirmed by some qualified market reports (Kuiper, 2011; Vinexpo, 2011; Wine Intelligence, 2012) but the way in which the international trade in such products will grow is an open question. Concerning sparkling wine, interesting issues are the possible changes in supply and demand composition and, therefore, whether new suppliers will challenge the supremacy of France, Italy and Spain and whether consumers in emerging countries, who have a different relationship with sparkling wine from consumers in traditional consuming countries, will contribute actively to the increase in demand for this wine (Wine Intelligence, 2008). Concerning wine in BiB packaging, the main issue is whether consumption and trade will be confined to basic popular premium wines or it will be extended to premium wines (Santini et al., 2007).

Concerning flow composition, an interesting aspect which was not covered by our analysis, since it was impossible with the ordinary data on international trade, is the share of wines with different prices in the aggregate flows. This is a characterising aspect of the supply of each competitor, which is quite important to properly understand the competitive strategies adopted[7].

For bulk wine the re-engineering of the supply chain based on localisation in the final market of packaging/bottling activities may explain the growth of trade, stimulating increases in shipping ready-to-consume wine to be bottled/packed in the final market, or in a country near the final market. Such processes have their rationale in the search for advantages in terms of transportation cost, environmental impact of the supply chain, flexibility concerning the final choices about wine containers and labels and, at least for shipping to the UK, compliance with specific national schemes encouraging such a way to ship wine[8].

Indeed, several factors may suggest that a substantially increased share of ready-to-consume bulk wine could become a permanent feature of the international wine trade. Confirmation of the broad interest in the industry to challenge this new scenario with a more strategic approach comes from the success of the World Bulk Wine Exhibition in Amsterdam which started in 2009 so as to improve the transparency in the market and increase business opportunities for suppliers and purchasers[9].

Of course, the reshaping of the supply chain reinforces the problem of the power distribution along the chain and of the competitive advantage of (different) producers. In the new scenario large multinationals with production and bottling/packing facilities scattered over many countries could have specific advantages over other producers, and the spatial division of production and bottling could give more power to supermarket chains and give more space to their own-store labels. Such elements of change in the relationship among the actors could apply quite strong pressure toward a structural change in the production stage of the wine industry.

The changes in trade routes, which affect the final destination and the path of flows, stem from the larger presence of wine in consumption habits in a growing number of markets. This leads to significant opportunities for exporters, albeit in the context of a competitive landscape which is complex, dynamic and selective.

In non-traditional markets, the wine business is growing rapidly along pathways with specific local characteristics. The tastes and preferences of consumers, in many cases not used to drinking wine, can then be shaped and guided. For providers, therefore, the critical success factors are the ability to understand the trends in each country and the speed of entry, which gives the first-mover an advantage in influencing consumer preferences. In this context, the competitors which have the appropriate skills, be they countries or individual companies, can gain a competitive advantage in each market (Chaney, 2002; Hussain et al., 2008; Mora, 2006, 2007). In this respect, France is a case in point. It has performed better than other exporters in many small non-traditional importing countries, particularly in the Far East, since until now the French wine companies have been more skilled at interpreting the needs of such markets.

The increase in wine consumption and imports in new markets has also resulted in a larger role being played by re-exporters: the analysis highlighted the fact that a non-negligible share of flows of internationally traded wine passes through one (and sometimes two) countries. Such non-direct paths from the place of production to consumers may stem simply from logistic optimisation but could be a signal that the role of intermediaries operating upstream of the final importers is increasing. The implication for producers challenging the international markets is

[7]Estimation of value shares of national and global wine markets by quality at 2009 is available in Anderson and Nelgen (2011a).

[8]The WRAP initiative in the UK focuses on educating the trade with respect to the economic benefits of lightweight bottles and bulk importing to reduce the volume of non-recyclable green glass in the market.

[9]For November 2012 the 4th edition is scheduled and 3000 visitors are expected, with more than 700 purchasers from 47 countries.

that the number of gatekeepers guarding access to the new market has increased, and the capacity to acquire suitable knowledge of the more recent developments of distribution networks and establish effective relations with all the important actors has become of strategic importance.

The peculiar progression of the competitive performance of the main exporting countries is a critical issue. Our analysis in Section 4 showed that a new competitive scenario has been established, very different from those of the 1990s, with the exceptional progress of New World exporters to the great detriment of the Old World (Anderson, 2004; Cesaretti et al., 2006). Indeed, analysis by group of importers and wine category shows a very complex situation, where each competitor follows a very individual pattern in terms of areas and wine categories where it is successful or otherwise. The result is that it is no longer possible to interpret the competitive scenario in the wine market with the New World vs. Old World dichotomy, with an advancing New World and an Old World in retreat.

The reasons for success of New World countries during the last 20 years of the 20th century have been effectively summarised by Anderson (2004; p. 26): in the countries belonging to the Old World "wine is a declining industry, and export growth has been driven by the need to get rid of surplus production of low quality wine induced by price support policies of their Common Agricultural Policy in an environment where domestic demand has been shrinking". Conversely, in the New World "wine production and export growth are the result of conscious business strategies aimed at exploring new comparative advantages in commercial premium wine that resulted from the growth of wine supermarketing and the like". Indeed, the performance of New World producers up to the end of the last century offers a brilliant example of catch-up as their success "has not simply been achieved by copying new technologies from Old World leading countries. In fact, it has entailed a major process of creative adaptation and innovation, which has been underpinned by institutional changes and by impressive scientific achievements" (Giuliani et al., 2011, p. 199). While much has been written to explain how the competitive advantage of New World producers has been generated, the intriguing question now is how to interpret the recovery that Old World producers have experienced at least in some markets or wine categories. For sure, the wine exported by the latter countries is no longer the wine which was unsellable on domestic markets, and exporting companies in the Old World may well have been rapidly able to become more market-oriented, with all the implications in terms of relational strategies, promotion and distribution, as indicated by the success of the EU measure supporting the promotion on the third-country markets in the framework of the Common Agricultural Policy (European Commission, 2011).

One key question is the role of the characteristics of Old World wines and, in particular, whether the heterogeneity of the European wine supply may be considered a source of value for consumers. A second critical issue is the value (or disvalue) of the industry structure in the larger Old World producing countries. Although the wine industry shows a low degree of concentration worldwide, its concentration is even lower among Old World producers. That said, large companies are emerging also in such countries, often through the merging of cooperatives[10]. That said, the difference in the industry structure between Old World and New World is not only in terms of concentration, but also due to the different organisational model of the firms (Couderc et al., 2010; Remaud and Couderc, 2006). A hypothesis to be tested is that the performance of the exporting companies in the Old World improved because: (i) they were able to become multinational, forming alliances with foreign companies to reap economies of scope, especially with distributors and retail chains following the path indicated by Anderson et al. (2004); (ii) and/or they are supported by a fairly efficient production structure which only appears to be fragmented: individual producers at the viticulture and early transformation stages – are linked in networks coordinated by cooperatives or other actors.

Another interesting issue arising from the analysis of changes in the competitive scenario is the evaluation of specialisation in the bulk wine trade of some competitors, mainly Australia, New Zealand, the USA and Spain. The problem is whether success in such trade can be interpreted as a forward-looking rooting in a market segment which will become increasingly important or is the consequence of a reduced competitive advantage in the bottled wine business (Anderson and Nelgen, 2011b).

As regards the changes in competitive scenario an important role has been played by exchange rates in the past decade, an example being the devaluation of the Argentine Peso leading to the aforementioned growth. Exchange rates have to be taken into account in forecasting future developments.

The last critical issue to consider is the increased complexity of the regulatory framework of the market, related to trade barriers and so-called private standards. As discussed in Section 7, the countries which are the new fast-growing wine importers are the most protected by tariffs. Further, wine market technical regulations are being developed which could prove to be non-tariff barriers. Indeed, the rising interest in the growth of domestic wine production could lead some of these countries to maintain (or even increase) protectionism and support to local producers.

[10]"Mergers and acquisitions within the global wine industry are happening continually, and between 2003 and 2009 the shares of global sales held by the four, and 30, largest firms both rose by almost one-third. Even so, in 2009 the three largest wine firms held only 7% of global sales, and the next five need to be added before the share rises to one-eighth. That firm concentration is predominantly in the New World, where the majority of sales are by the four biggest firms. By contrast, in the Old World barely one-eighth of sales are from the four largest firms" (Anderson and Nelgen, 2011b; p. 6).

Given that at the multilateral level the Doha Round of WTO is beset by several difficulties, the involvement in the WWTG of an increasing number of countries and the progress in establishing Preferential Trade Agreements undoubtedly represent progress in trade liberalisation but are likely to create distortions in competition (Mariani et al., 2012). Last but not least, it should be stressed that the international wine trade is constrained not only by national technical regulations resulting in non-tariff barriers but also by private standards. In the last decade there has been intensive development of private standards, initially mainly targeting food safety (often exceeding requirements established in international standards developed by the Codex Alimentarius) and in recent years mainly related to social and environmental aspects. The standards can be set by individual firms (predominantly large retailers), collective national organisations, or international standards organisations. Private standards are voluntary, but if they are required by large retailers and/or large companies, they become de facto mandatory for suppliers[11]. Private standards do not fall within the rules of the WTO. Indeed, they are a matter of increasing concern for the effects that they may have upon access to international markets, especially for small businesses (Henson and Humphrey, 2009).

Finally, many specific questions come to mind when analysing the international wine trade in depth. However, the main question concerns future developments. From our analysis the international wine trade emerges as a complex and dynamic system which looks in good shape despite the economic difficulties in many countries. This is not sufficient to make inferences on the future. Some sources forecast that by 2030 wine consumption in the USA should reach 36 million hectolitres, but with a reduction in domestic production which should give a dramatic impulse to international trade (Lapsely, 2010). However, in the shorter term a substantial further increase in the international wine trade should come from non-traditional small importers, as defined in Section 3. Indeed, market research has indicated that China will soon become the country with the largest wine consumption in the world (Kuiper, 2011). However, the stable inclusion of a new product in the consumption habit of a country is no trivial issue. Indeed, stabilisation of consumption in a new market requires the capacity to maintain and guarantee the quality of products, avoid fraud and ensure an adequate retailing system[12]. Further development of the international wine trade appears linked to whether and to what extent such conditions can become established.

[11]The attention of large retailers to the carbon footprint issue and possibility of the adoption of private standards regarding the issue has recently stimulated the OIV to adopt a Carbon Footprint Calculator optimised for the wine industry.

[12]Between the late 1850s and the mid-1870s wine imported into the UK from France tripled, leading to a rapid increase in wine consumption and opening up prospects for the development of a cheap international mass market for wine. Later, difficulties maintaining and guaranteeing product quality, frequent instances of fraud and the absence of an adequate retailing system led to a subsequent sharp reduction in wine consumption (Simpson, 2011).

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